

Northern New Jersey

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Financial service firms drove strong leasing activity in the fourth quarter

Leasing activity in the Northern New Jersey office market surged in the fourth quarter, up 67.9% over the quarter to 2.4 million square feet (msf). This quarter's level of activity measured higher than both the five-year Q4 average (2.0-msf) and the 2015-2019 Q4 average (1.8-msf). Leasing for the year totaled 8.0 msf, 7.8% lower than 2022's robust 8.6 msf, but on par with the ten-year 8.0-msf annual average. Bank of America signed the largest lease of the year in Q4, with its 547,962-square-foot commitment at 525 Washington Blvd in Jersey City. The bank renewed its current footprint and will also expand its presence in the building by consolidating from other locations. The transaction was a boost for the Waterfront submarket, pushing leasing activity to an eight-year high. Nokia Bell Labs signed the second largest lease of the quarter totaling 360,000 square feet at the proposed HELIX2 in New Brunswick. Fueled by the Bank of America lease, financial services & insurance accounted for 45.1% of activity in Q4 2023 and, at 26.4%, captured the lion's share of leasing for the year followed by pharmaceuticals (22.1%), and TAMI (12.6%).

Availability decreased to a three-quarter low to end the year

The availability rate decreased for the first time in 2023, down 30 basis points (bps) from one quarter ago to 26.3%. Despite the drop, availability remains elevated, up 140 bps over the year and 200 bps compared to pre-COVID levels. Direct available supply grew for the fourth consecutive quarter, up a minor 0.1% to 30.5 msf. Available sublease space decreased for the second consecutive quarter, down 4.6% to 8.0 msf. Sublease space accounted for 20.7% of available supply, representing a seven-quarter low. Rebounds were made in both Class A and B & C assets, down 10 bps and 70 bps respectively added to the market.

Asking rents show little change across asset classes

The overall Northern New Jersey asking rent decreased 0.4% over the quarter to \$31.59 per square foot (psf). Class A asking rents decreased 0.5% over the same period to \$32.65 psf while the asking rent in Class B & C remained flat at \$24.13 psf. The quality of available space kept rents elevated compared to 2020 when overall rents averaged \$29.09 psf in Q1.

Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	149.7 msf	149.9 msf	+0.2 msf
Availability Rate	24.2%	25.6%	+140 bps
Asking Rental Rate	\$331.45	\$31.59	+0.4%
Class A Asking Rental Rate	\$32.45	\$32.65	+0.6%
Quarterly Leasing Activity	2.5 msf	2.4 msf	-1.0 msf
Available Sublease Space	7.6 msf	8.0 msf	+0.4 msf

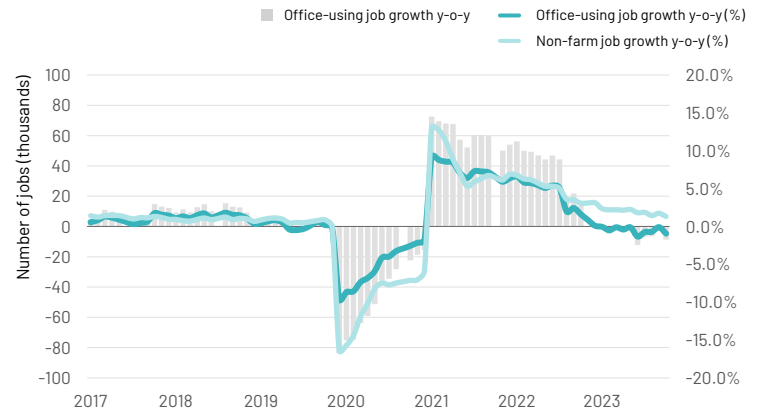
Outlook

01 The activity in the Waterfront submarket could continue in the upcoming quarters, with several firms in active negotiations

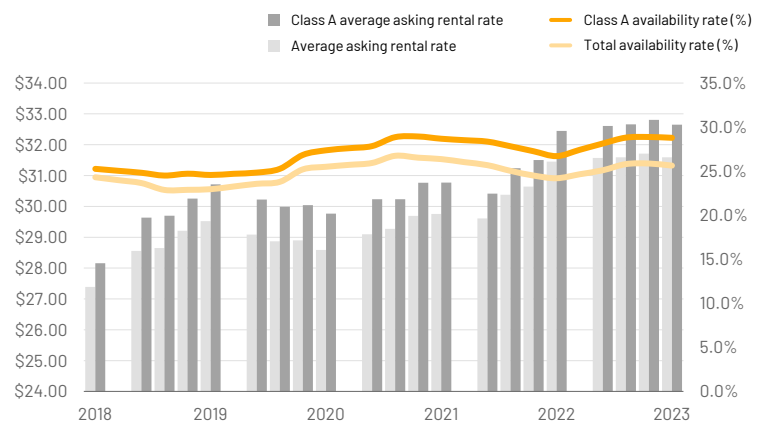
02 Landlords with rolling debt will need to find ways to refinance and provide concession packages for tenants

03 Upcoming lease expirations may drive additional leasing activity in the start of 2024

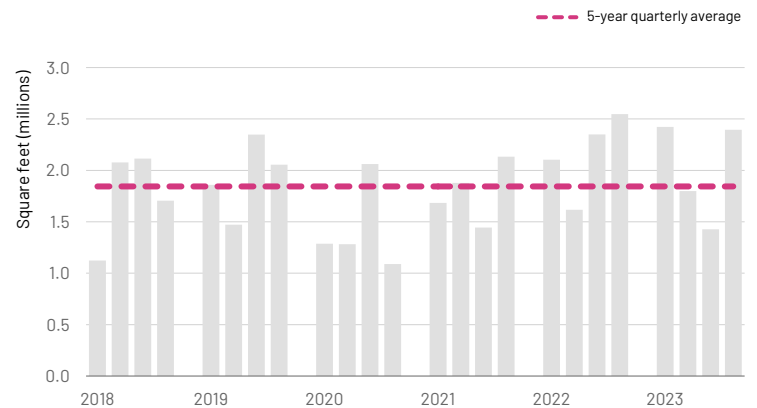
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

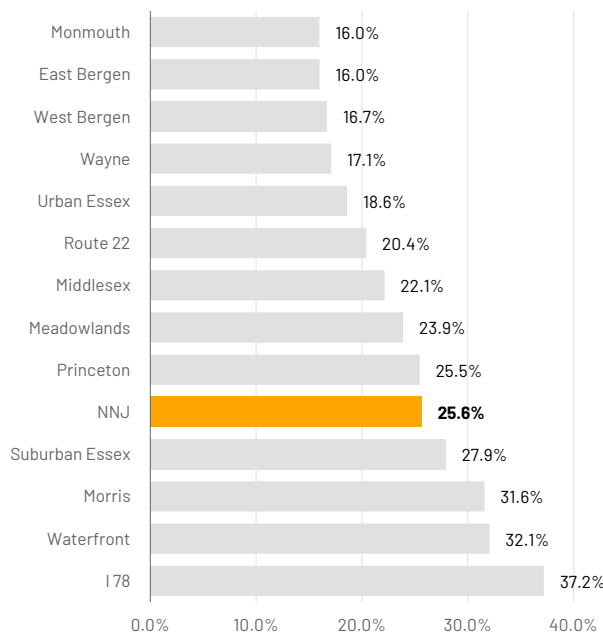
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Bank of America	Financial Services & Insurance	Waterfront	525 Hudson Boulevard	547,962	Renewal & Expansion
Nokia Bell Labs	TAMI	Middlesex	110 Plaza	360,000	Relocation
Marcum LLP	Business, Professional, and Consulting Services	Morris	340 Mount Kemble Avenue	73,272	Relocation**
Arch Insurance Group	Financial Services & Insurance	Waterfront	210 Hudson Street	56,922	Renewal
Marsh McLennan	Financial Services & Insurance	Morris	445 South Steet	54,376	Renewal
Endurance Services Limited	Financial Services & Insurance	Morris	340 Mount Kemble Avenue	53,456	New Lease**
Newark Educators' Community Charter School	Education	Urban Essex	570 Broad Street	52,500	New Lease
Victory Home Remodeling	Architecture, Engineering & Construction	Monmouth	101 Crawfords Corner Road	45,000	New Lease**
Greenbaum, Rowe, Smith & Davis LLP	Legal Services	Middlesex	99 Wood Avenue S	40,000	Renewal
Hackensack Meridian Health	Healthcare	West Bergen	650 From Road	39,144	Expansion

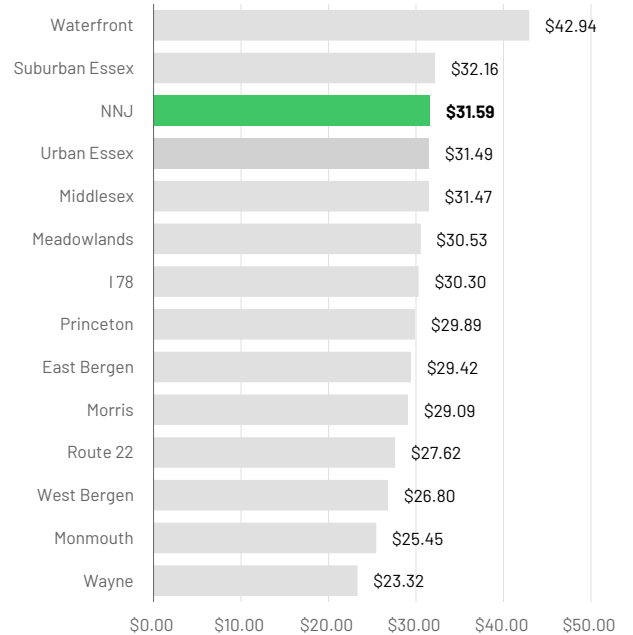
Availability Rate Comparison (%)

NORTHERN NEW JERSEY SUBMARKETS



Rental Rate Comparison (\$/sf)

NORTHERN NEW JERSEY SUBMARKETS



Northern New Jersey Q4 2023 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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